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C E N T R A L I N T E L L I G E N C E A G E N C Y

OFFICE OF NATIONAL ESTIMATES

10 September 1956

STAFF MEMORANDUM NO. 74-56

SUBJECT: The Plot Against the Plot: One Prong of Soviet Agricultural Policy\*

1. In NIE 11-4-56, we noted a resumption of the Party's campaign to reduce and eventually eliminate the area of private farming in Soviet agriculture. We left open, however, the question of whether impatience in this matter would result in an accelerated campaign which would further alienate the peasantry and probably depress agricultural output. Recent evidence is far from sufficient to provide a decisive answer, but it suggests that the Party, while firmly pursuing its goals, is exercising considerable restraint to avoid such an outcome.

2. The reforms of 1953-55 — price concessions, strengthening of rural Party control, new crop patterns, relatively high investment rate — continue to be extended. Our prediction of further price adjustments has been confirmed and in two cases, potatoes and vegetables, a second round of increases has been granted. The incomes of collective farms continue to rise, from 43 billion rubles in 1952 to 76 billion in 1955 and certainly higher in 1956.

3. Economic pressures upon unwanted activity — the private plot, private livestock, and private marketing — were sharply decreased in 1953, reappeared in 1954-55, and have now virtually regained their pre-1953 importance in the total range of agricultural policy. But the present situation is distinctive not only because this pressure is accompanied by the reforms cited above, but because of the more subtle and diffuse way in which it is being exerted. The technique appears to be to include discretionary provisions in new legislation or to make general recommendations to collective farms and then to implement these laws and proposals piecemeal, farm by farm and district by district, as local conditions permit. Under this method, the capacities and judgments of local Party bodies play a crucial role, a fact which explains why Khrushchev devoted almost all his remarks on Party activities at the 20th Congress to rural problems.

\* This memorandum has been informally discussed with analysts in ORR and OCI.

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4. This approach has been embodied in recent months in three decrees, dated 10 March, 20 July, and 27 August 1956. The decree of March 10 "recommending" that collective farms review private plots and livestock holdings with an eye to their reduction is the clearest example of the technique. After the usual follow-up comment in the succeeding two days, all mention of this decree dropped out of Pravda and Izvestiya. The only official comment since then has been a small but steady stream of items in the provincial press describing the "voluntary" adoption of this measure by individual collective farms. It is therefore impossible to gauge the extent to which pressure is being exerted, except to say that it is considerably short of a whirlwind campaign of the type used in the original collectivization drive.

5. The Party's major complaint against private holdings is that they require labor time which should be spent on collective tasks. In addition to the March 10 decree, the minimum number of labor-days required of each collective farmer has been sharply raised in the last two years, again on a farm-by-farm basis and with considerable variations among farms. Because the labor-day is an artificial unit capable of manipulation, some farms have recently supplemented the labor-day minimum with a minimum number of "show-ups" for work. On the incentive side, in addition to the higher incomes received for collective work, the old practice of paying collective farmers in the spring in a lump sum for the previous year's work is being gradually replaced by a system of monthly cash "advances" against these annual earnings.

6. The free market is an object of attack not only because it provides income incentives for spending time on private land and livestock (since prices exceed those offered by the state) but also because it disrupts the state monopoly of retail trade. As early as 1953, the government launched attempts to inject itself into the free market by selling there on commission for the peasants. Another step was taken on 20 July of this year, when the state agreed to pay free market prices to growers of fruits and berries. Official policy has long sought to encourage the peasants to grow these minor crops on their plots in place of the staples which form an important part of free market sales and urban diets.

7. Another aspect of the campaign against the free market is seen in the decree of 27 August, which seeks to wipe out the livestock holdings of state employees, i.e. everyone but collective farmers, who are accused of combining part-time farming in the suburbs with speculation by buying bread in state stores at the low official prices, feeding it to their animals, and selling the meat and milk on the free market at a profit. This decree provides a 500-ruble annual tax (about 6 percent of the average annual wage) on each cow, compulsory deliveries to the state of 400 liters of milk (about one third of the average output per cow), and corresponding taxes and de-

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liveries for other types of stock. It thus gives state control a clear priority over production, reversing the policy of the 1953 reforms, when such taxes and delivery obligations were abolished for the explicit purpose of encouraging state employees to build up their holdings for the sake of greater national production. The Party is quite frank about this, admitting that "this, of course, will result in a certain reduction in the amount of livestock products put on the market" but arguing that "this reduction will soon be compensated by an increase in the output of ... collective and state farms." The stakes are surprisingly large; state employees (including 2.8 million state farm workers) own 7.6 million head of cattle and account for 15 percent of all Soviet cows, 13 percent of all swine, 28 percent of all goats, and 3 percent of all sheep.\* Again, room is left for discretionary maneuver: the decree is initially applicable only in the largest cities, and republic organs have an option in extending it to smaller cities and towns. Thus the two-stage campaign - first against true speculation and then against livestock ownership as such - can be executed at varying speeds according to local conditions.

8. Other evidence makes it clear that the whole future of the collective farm system, the only unfinished element in the institutions of Soviet socialism, is being widely discussed. Without public announcement, an unknown number of collective farms have been transformed into state farms. Proposals to give tractors to the collectives, which have always been dependent upon the Machine Tractor Stations for machines, have cropped up again and had to be rebuffed. The ending of the dual system of pricing, under which the state takes a large share of the crop at below-cost prices and then buys another segment at considerably higher prices, is due to be replaced by a single price schedule. The economy-wide emphasis upon ration-alization and efficiency has, when applied to agriculture, led the Soviets straight to the anomalies of the collective farm system, under which it is impossible to construct a rational set of prices.\*\* The labor-day method

\* When the private ownerships of collective farmers are added to these totals, the share of private ownership in total herds is as follows: cattle 46 percent (including cows 57 percent), swine 42 percent, sheep 22 percent, and goats 83 percent. All data for 1 October 1955.

\*\* This difficulty is responsible for the necessity the state has been under continually to raise prices, crop by crop, over the last three years. Since relative costs are unknown each boost leads the farms to concentrate upon the most recently favored crop to the detriment of others, which soon require additional incentives themselves. This trial-and-error process came full circle last January, when prices for potatoes and vegetables, the first crops to benefit from increased prices, had to be raised again despite Khrushchev's 1953 statement that subsequent increases would not be permitted.

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of payment is also due for revision. A contradiction has long been evident between the treatment of this system in the popular press, which maintains that it equates rewards with results, and specialist publications, which have criticized it for failing to perform this function. This summer Khrushchev abolished the fiction by telling an agricultural conference that "collective farmers must be paid for their labor according to harvest yields and the productivity of livestock breeding. Are we able to switch over to this method? Undoubtedly . . ." Allegedly this switchover had been accomplished 20 years ago.

9. The production record has made Soviet post-1953 agricultural policy a success to date, although not so much a success as Khrushchev predicted. Within this framework, the policy of restricting private activities has had less satisfactory results. The government claims a 31-percent increase in labor-days worked by the collective farm peasantry between 1950 and 1955, although reporting in such a slippery unit as this should be regarded with caution. The role of the free market has been slightly reduced over the same period, and it now accounts for about 15 percent of total retail sales of food (9 percent of all sales), but in absolute terms both the volume and prices on this market have continued to increase slowly, and it still accounts for nearly half of all urban consumption of potatoes, about one third of urban consumption of vegetables, and perhaps one third of marketings of livestock products. Total private plot holdings fell slightly in the middle of the five-year period but had almost regained the 1950 level in 1955. Most of the livestock gains following upon the 1953 reforms have been achieved by private owners, who have added 4 million cattle, 1.5 million swine, and 9 million sheep to their holdings between the fall censuses of 1953 and 1955. Some reversal of this trend, however, may appear in the 1956 census as a result of the decree of 10 March and the later edict of 27 August. All these data, in fact, refer to 1955 and do not yet reflect any impact of the current year's policy innovations.

#### Conclusions

10. Policy towards private farming has practical consequences for agriculture and also provides a political illustration. On the first count, it appears that the recent record of production success has emboldened the Party to increase the pressures upon private farming activities. But the acceleration is gradual, and it is unlikely that the campaign will be drastically stepped up to the point where production will be seriously affected. An acceleration may come in the next few months if the heavy procurements which Khrushchev predicts for this year make the leadership feel secure enough to move faster. But recent history indicates a continuation of the firm, gradual, cautious approach.

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11. In the political field, agriculture has of course always been a touchy matter; it was the basis for a rebuff to Khrushchev in 1951 and was included in the charges against Beriya in 1953\* and Malenkov in 1955. The size of Khrushchev's current stake in this field must certainly argue against rashness on his part. It is possible to speculate that the cautious nature of policy toward the peasant reflects disagreement among the leaders, but it is probably sounder to conclude that collegiality is acting as a brake upon adventurism. The Presidium must thus far be given credit for showing considerable judiciousness in approaching a delicate and explosive issue.

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\* Last week, the agricultural charge against Beriya was expanded, after a silence of three years, to state that he pursued an "anti-collective farm policy" which "encouraged private ownership tendencies at the expense of the development of the communal economy." This is probably as nonsensical as the charge of foreign espionage, but the identification of a dead traitor with a given policy is a particularly sharp reminder to Party workers that they are expected to pursue the opposite course.

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